

December 31, 2003

Honorable Christopher Hall, Senate Chair  
Honorable Lawrence Bliss, House Chair  
Joint Standing Committee on Utilities and Energy  
115 State House Station  
Augusta, ME 04333

Re: Report on the Adequacy of the Authorized Assessment for FY2004/2005 to meet the Maine Public Utilities Commission's needs and the Apportionment of the Assessment between T&D utilities and other utilities.

Dear Senator Hall and Representative Bliss:

As a result of the state's budget issues our request for a authorization to increase our assessment to meet the Commission's FY 2004/2005 budget requests was modified by the Utilities and Energy Committee during our discussions last year. In essence, the bill passed by the Legislature authorized the Commission to assess regulated utilities at the FY2002/2003 levels of \$5.5 million and allowed the Commission to meet our forecasted needs in the biennial budget using our carryover balance. You also requested that we report back to you on the adequacy of this approach.

Furthermore, during these discussions, Central Maine Power Company raised issues about the fairness of the electric utilities' share of our assessment. We agreed to evaluate the level of effort expended by Commission staff in each utility sector and to report our findings on the appropriateness of the apportionment of the assessment between transmission and distribution utilities and other utilities back to you.

These reporting requirements were set forth in P.L. 2003, Chapter 272. This attached report responds to those requirements.

We look forward to discussing these issues with the Committee during the forthcoming session. If you have any questions regarding the report, please contact us.

Sincerely,

Maine Public Utilities Commission  
Thomas L. Welch, Chairman  
Stephen L. Diamond, Commissioner  
Sharon M. Reishus, Commissioner

**Report to the Joint Standing Committee on Utilities and Energy on the Adequacy of Funding for the Public Utilities Commission for FY2004/2005 and the Appropriateness of the Apportionment of Assessment between the Transmission and Distribution (T&D) Utilities and Other Utilities**

During the first session of the 121<sup>st</sup> Legislature, the Joint Standing Committee on Utilities and Energy authorized the Commission to assess \$5.505 million dollars for each year of the FY2004/2005 biennial budget instead of the amounts requested by the Commission. The Committee also authorized the Commission to meet expenses above the \$5.505 million in annual assessments by using unexpended funds carried forward into the next fiscal year and requested the Commission to report back on the adequacy of this funding approach to fulfill its statutory responsibilities.

After a careful review and analysis of the actual amount of unexpended funds available to the Commission and a projection of anticipated expenses through FY2005, we have concluded that, barring any unforeseen major expenses, the Commission has sufficient resources to meet its statutory obligations through the end of the biennial budget. See Attachment I. This analysis is applicable only to our PUC Regulatory Fund and does not apply to the Electric Energy Conservation Program.

The Commission has worked diligently to increase its productivity and reduce its expenses over the past several years while our workload has increased. However, continued efforts to achieve efficiencies will not sufficiently reduce expenditures anticipated in the FY2006/2007 biennial budget. Therefore, we anticipate requesting a substantial increase in our authority to assess utilities for the funds necessary to meet our obligations during our budget request that will be put forward for the 122<sup>nd</sup> Legislature to act upon.

The Committee also asked the Commission to analyze the appropriateness of the apportionment of the assessment between Transmission and Distribution (T&D) utilities and other utilities.

For historical purposes we have provided a chart that documents the level of assessment against each of the utilities sectors since 1990. See Attachment II. During the period covered by the chart, assessments were made based on an apportionment of Commission's funding needs across the various utility industries' total gross in-state revenues. Consistent with this historical record, legislation authorizing restructuring of the electric utilities industry set the assessment against the electric T&D utilities at approximately 70% of the funding needed by the Commission, with the remaining amount of the funding assessed against the other utilities based on an apportionment across the in-state revenues of the other utility industries.

Following the legislative session, we began to track the actual time in hours expended by Commission staff on matters relating to each of the various utility industries. For staff members where the tracking proved to be too time consuming or

difficult to assess, i.e., staff performing administrative duties or responding to consumer inquiries, we apportioned the time worked.

We use two methods to apportion the time spent by staff whose time was not “directly assigned.” All time worked by staff assigned to the Administrative Division, not tracked as worked in a specific utility industry, was apportioned based on the distribution of time spent by other staff in the various utility industries. All time spent on resolving consumer inquiries, not tracked as worked in a specific utility industry, was distributed based on the percentage of inquiries tracked against each utility industry. The amount of time worked on each utility industry was then totaled and we calculated the percentage of the Commission time spent on each utility industry.

Attachment III provided a summary of this effort. Our analysis on available data for all pay periods from July 1, 2003 to December 6, 2003 shows the following percentages of time worked on each industry:

- Electric Industry – 41.0 %
- Natural Gas Industry – 10.1%
- Telecommunications Industry – 43.8%
- Water Industry – 5.1%
- Water Carriers Industry - 0.03%

This analysis covers only 5 months of the current fiscal year (FY04). A complete analysis will be available at the end of FY04 and we will provide a summary report of that information to the 122<sup>nd</sup> Legislature’s Joint Standing Committee on Utilities and Energy.

A straightforward review of the current information indicates that the electric industry (T&D) sector is paying a substantially greater percentage of the Commission’s costs than the time spent on each utility sector would suggest. While we have no reason to believe that the period we have studied is not representative, it is likely that from year to year there are at least some significant variations in the workload distribution at the Commission that cannot be anticipated. Also, factors that have not yet been fully analyzed, e.g., the amount of money spent on consulting needs for the various utility industries and the relative costs associated with each hour worked by staff, may have a significant impact on the actual apportionment of costs to the various utilities that pay assessments. For example, during the years prior to and following restructuring of the electric utility industry in Maine, a significant amount of money was spent on contractors working on “electric” issues and the staff working on electric issues is the more senior staff with higher annual salaries. These factors will be analyzed and the results incorporated into the final report for FY2004. Nevertheless, the review we have conducted is consistent with the commissioners’ and staff members’ intuitive understanding of the relative workload imposed by each regulated industry.

## Attachment I

### PUC Regulatory Fund Analysis for FY2004/2005 Biennial Budget

<b>Cash Balance brought forward to FY 2004</b>		1,889,091
Less Encumbrances brought fwd to July 1, 2003		(194,557)
Add 5/1/2003 Annual Assessment		5,505,000
Budget for FY 2004	6,342,085	
Less value of 4 vacancies	(200,662)	
Adjusted Budget	6,141,423	(6,141,423)
Add Federal Grant Reimbursement		140,000
<b>Possible balance on June 30, 2004<sup>1</sup></b>		<b>1,198,111</b>
 <b>Cash Balance brought forward to FY 2005</b>		 1,198,111
Add 5/1/2004 Annual Assessment		5,505,000
Budget for FY 2005	6,558,242	
Less value of 4 vacancies	(210,506)	
Adjusted Budget	6,347,736	(6,347,736)
<b>Possible balance on June 30, 2005<sup>2</sup></b>		<b>355,375</b>

Note: To develop a budget that met legislative requirements, i.e., to assess no more than \$5,505,000 with the authority to use carry forward money to meet our resource needs, we submitted a budget that was below our required expenditures in some of the All Other categories in the budget submitted, e.g., we did not budget for IT equipment replacement, nor did we fully budget for anticipated Consulting needs in the PUC Regulatory Fund. We have relied on the legislative authority to use our carry forward money to meet these and other expenses.

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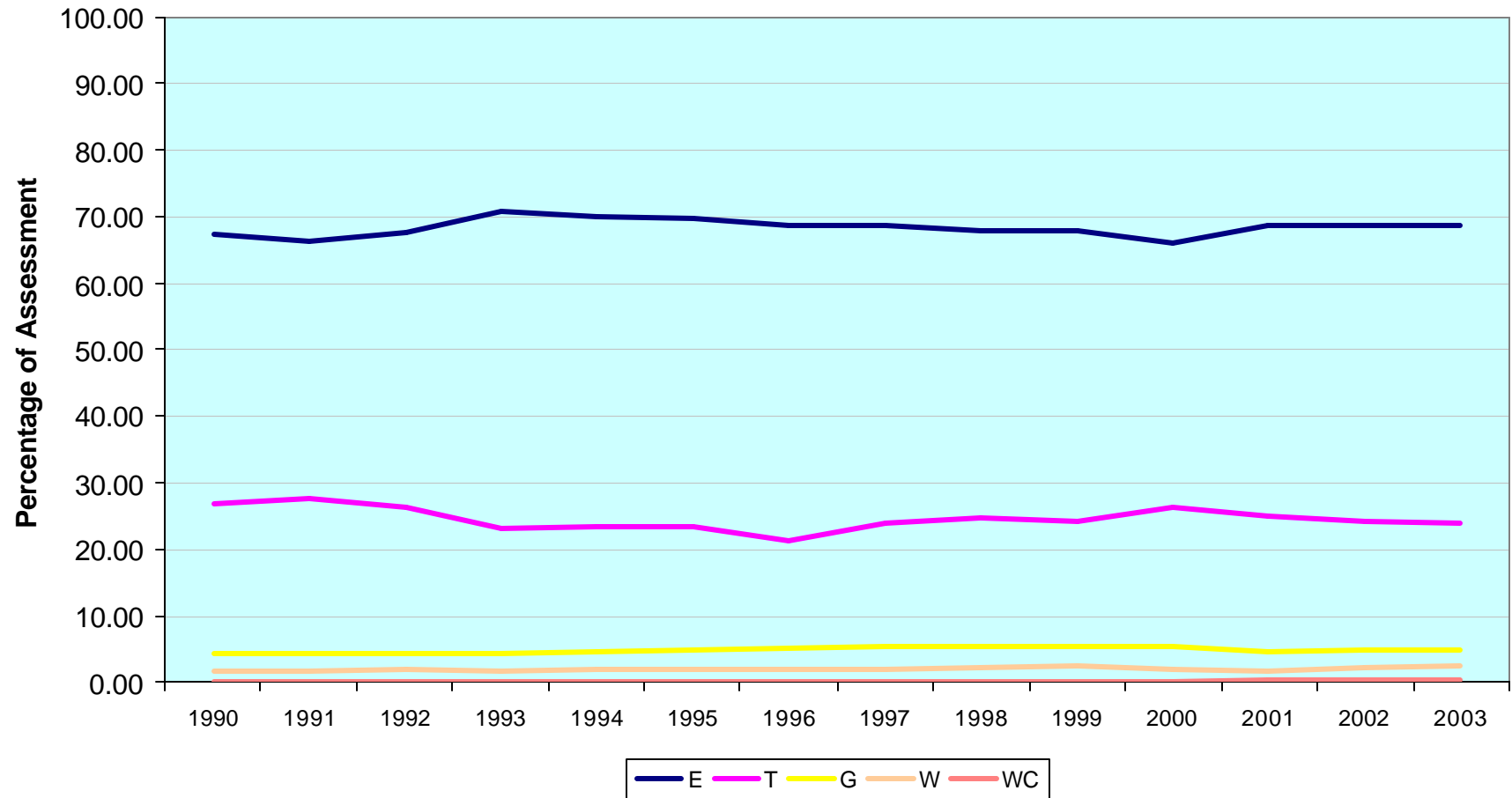
<sup>1</sup> The money in this balance carried forward into FY2005 is the sum of balances carried forward in previous fiscal years and salary savings in FY2004. Virtually all of the money that is carried forward in any given fiscal year is the result of salary savings.

<sup>2</sup> The money in this balance carried forward into FY2006 is the sum of balances carried forward in previous fiscal years and salary savings in FY2005.

## Attachment II

### MPUC Assessment (FY1980 - FY2003)

Utility Sector Assessment Analysis



### Attachment III

Analysis Summary										
		Summary of Hours Worked in Each Reporting Area								
Division	Total Hours Worked	Admin	Conservation	Electric	Natural Gas	Telecom	Water	CBTA	DigSafe	SEP
Admin	14552.00	13204.00	381.00	772.00		53.00	5.00		104.00	
CAD	1699.00	1117.50		62.50	49.50	431.00	1.00	8.00	29.50	
CAS Hours	8824.75			2823.92	352.99	5294.85	352.99			
Total CAD Hrs	10523.75	1117.50	0.00	2886.42	402.49	5725.85	353.99	8.00	29.50	0.00
EPD	4701.50	71.00	2484.00	62.00	0.00	0.00	0.00	0.00	0.00	2084.50
Finance	6532.25	1191.50	84.00	1587.25	638.00	2819.50	212.00			
Legal	8292.25	1504.75	646.25	3298.00	705.75	1889.50	40.00		208.00	
TAD	8301.50	437.50	253.00	2119.50	889.00	985.50	728.00		2889.00	
Subtotal Hours by Area of Work	52903.25	17526.25	3848.25	10725.17	2635.24	11473.35	1338.99	8.00	3230.50	2084.50
Calculation of Percentages to Apportion Admin Hrs	30029.00		0.13	0.36	0.09	0.38	0.04	0.00		
Admin Hrs Apportioned across Work Activities		17526.25	2246.01	6259.68	1538.04	6696.35	781.49	4.67		
Calculation of Percentages to Apportion DigSafe Hrs	26172.75			0.41	0.10	0.44	0.05			
DS Hrs Apportioned Across Activities		3230.50		1323.81	325.27	1416.15	165.27			
Total Hours by Utility Sector for Assessment				18308.66	4498.55	19585.86	2285.76	12.67		
Total Hours Worked in Core Utilities	44691.49									
% Utility Sector				40.97%	10.07%	43.82%	5.11%	0.03%		